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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER

8-52236

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Praxis Capital Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

80 Pine Street, 30th Floor

(No. and Street)

New York

(City)

NY

(State)

10005

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

William C. Holub

(212) 208-3873

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst & Young LLP

(Name - if individual, state last, first, middle name)

5 Times Square

(Address)

New York

(City)

NY

(State)

10036

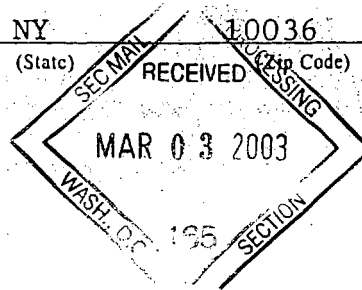
(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.



**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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**PROCESSED**

**MAR 20 2003**

**THOMSON  
FINANCIAL**

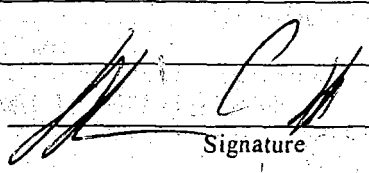
## OATH OR AFFIRMATION

I, William C. Holub, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Praxis Capital Inc., as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

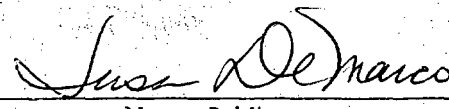
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Signature

Chief Financial Officer

Title

  
Notary Public  
SUSAN DEMARCO  
Notary Public, State of New York  
No. 01DE6006362  
Qualified in Richmond County  
Commission Expires May 4, 2006

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**PRAXIS CAPITAL INC.**  
**Statement of Financial Condition**

Year ended December 31, 2002

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## Report of Independent Auditors

The Director and Stockholder of  
Praxis Capital Inc.

We have audited the accompanying statement of financial condition of Praxis Capital Inc. (the "Company") as of December 31, 2002. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Praxis Capital Inc. at December 31, 2002 in conformity with accounting principles generally accepted in the United States.

February 18, 2003

*Ernst & Young LLP*  
*Ernst & Young LLP*

**PRAXIS CAPITAL INC.**

**Statement of Financial Condition  
December 31, 2002**

**Asset**

Cash	\$	217,200
Receivable from brokers, dealers, financial institutions and clearing organizations		954,600
Prepaid expenses		3,800
		<hr/>
	\$	1,175,600
		<hr/> <hr/>

**Liabilities and Stockholder's Equity**

Short position	\$	19,300
Accrued personnel costs		128,200
Accounts payable and accrued liabilities		31,300
Due to affiliates		29,400
		<hr/>
		208,200
		<hr/>
Stockholder's equity		967,400
		<hr/>
	\$	1,175,600
		<hr/> <hr/>

The accompanying notes are an integral part of this statement of financial condition.

# PRAXIS CAPITAL INC.

## NOTES TO STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2002

### 1. ORGANIZATION

Praxis Capital Inc. (the "Company") is registered as a broker/dealer, with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD"), to be engaged primarily as a trader of U.S. government securities and corporate debt from its offices in New Jersey. The Company is a wholly-owned subsidiary of Tullett Liberty Direct Inc. (formerly known as Liberty Direct Inc.), which is a wholly-owned subsidiary of Tullett Liberty Investment Corp. ("TLIC" formerly known as Liberty Brokerage Investment Corp.), which is a wholly-owned subsidiary of Tullett plc ("Tullett" formerly known as Tullett & Tokyo Liberty plc).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates - The preparation of the statement of financial condition in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from those estimates.

Securities transactions - Securities transactions are recorded on a trade date basis. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Cash - The cash is held on deposit at one U.S. financial institution. At December 31, 2002, the Company maintains a \$100,000 deposit to satisfy its minimum balance requirements at its clearing broker.

Fair Values of Financial Instruments - The carrying amounts of cash, receivables from brokers, dealers, financial institutions and clearing organizations, due to affiliates, short position, accrued personnel costs, and accounts payable and accrued liabilities reported in the statement of financial condition approximate their fair values.

Short position - The Company values its short positions at fair value. Fair value is based on published market prices.

Income taxes - The Company is included in the consolidated U.S. Federal and combined state and local income tax returns of TLIC. For financial reporting purposes, the Company determines its income tax provision on a separate company basis in accordance with an informal tax sharing agreement with TLIC. Amounts due to or receivable from TLIC, with respect to current income taxes, are settled currently.

### 3. RECEIVABLE FROM BROKERS, DEALERS, AND FINANCIAL INSTITUTIONS

Amounts receivable from brokers, dealers, and financial institutions represents \$954,600 of cash held at the Company's clearing broker.

## **PRAXIS CAPITAL INC.**

### **NOTES TO STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2002**

#### **4. REGULATORY REQUIREMENTS**

As a broker/dealer registered with the SEC and the NASD, the Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. At December 31, 2002, the Company had net capital of approximately \$960,700, which was approximately \$860,700 in excess of the minimum net capital requirements. The Company is exempt from the provisions of SEC Rule 15c3-3 relating to the maintenance of customer reserve accounts and the possession or control of customer securities pursuant to paragraphs (k)(2)(i) and (k)(2)(ii), since the Company does not hold funds or securities of customers.

Dividend payments and other equity withdrawals are subject to certain notification and other provisions of the net capital rules of the SEC.

#### **5. EMPLOYEE BENEFIT PLANS**

The Company's parent maintains a Retirement and Savings Plan (the "Plan") pursuant to Section 401(k) of the Internal Revenue Code for its wholly-owned U.S. operations. The Plan, a defined contribution plan covering all employees over the age of 21, is funded by contributions of its employees.

#### **6. OFF-BALANCE-SHEET CREDIT RISK**

The Company primarily executes securities transactions on a proprietary principal basis. Substantially all transactions settle within three business days for cash. The Company has a policy of reviewing, on an ongoing basis, the credit standing of its counterparties, which are primarily U.S. financial institutions.

The Company may be exposed to off-balance-sheet credit risk from unsettled transactions including fails to deliver/receive. In the event a counterparty is unable to fulfill its purchase or sale transaction, the Company may be then obligated to purchase or sell the applicable securities at market value which may result in a loss if the amount is different from the contract amount of the transaction.

#### **7. RELATED PARTY TRANSACTIONS**

Due to affiliates represents amounts payable to TLIC for \$29,400. Such amount consists of non-interest bearing cash advances which are payable on demand.

#### **8. SUBSEQUENT EVENT**

In January 2003, Tullett and Collins Stewart Holdings plc ("Collins") entered into a definitive agreement, pending approval of shareholders and required regulators, whereby Collins would acquire all of the stock of Tullett. If all approvals are obtained, the transaction is expected to be consummated in the first half of 2003.